

EVALUATING THE INTERNATIONAL TRADE ADMIN-
ISTRATION AND THE TRADE AND DEVELOP-
MENT AGENCY

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EVALUATING THE INTERNATIONAL TRADE ADMINISTRATION AND THE TRADE AND DE- VELOPMENT AGENCY

Wednesday, June 9, 1999

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INTERNATIONAL
ECONOMIC POLICY AND TRADE,
Committee on International Relations,

WASHINGTON, D.C.

The Subcommittee met, pursuant to notice, at 1:30 p.m. In Room 2200, Rayburn House Office Building, Hon. Ileana Ros-Lehtinen [Chairwoman of the Subcommittee] Presiding.

Ms. ROS-LEHTINEN. The Subcommittee will come to order.

Promoting U.S. exports is key in keeping American businesses competitive in the world economy. We are all aware of this important fact. How to go about promoting global commerce and supporting U.S. companies in the most effective manner, however, is often the topic of much controversy. Every year \$75 billion of taxpayer money is spent on programs that subsidize businesses. Some believe that this investment in the development of U.S. businesses in the international marketplace is a small price to pay for the returns, the creation of American jobs and a booming U.S. export market.

Others, however, are quick to criticize any government intervention in what they believe should be left to the private entities and to market flows.

Today we will be focusing on two agencies whose goal it is to promote the growth of U.S. small businesses in an increasingly globalized marketplace.

The International Trade Administration's goal is to promote competitiveness through promoting U.S. exports, fighting unfair foreign trade barriers and negotiating and implementing multilateral and bilateral trade agreements. Its primary function is to assist and advocate for U.S. exports by focusing on the big, emerging markets and providing industry and country analysis for American businesses.

The Trade and Development Agency helps U.S. companies pursue overseas business opportunities in infrastructure and industrial projects in developing middle-income countries. TDA funds feasibility projects in a variety of sectors which evaluate the technical, legal, economic and financial aspects of a development project, as well as assess the credit worthiness of a project.

Many have praised the work of these agencies in helping U.S. businesses to overcome barriers to trade and investment. U.S. businesses claim they have been able to benefit from the monitoring and assurances that they receive from ITA, for example, of full compliance with the trade agreements by foreign countries. They also cite information that these agencies supply to U.S. companies and the tools available to the agencies for resolving issues.

U.S. industries which depend on the information and support provided by ITA and TDA claim that without this analysis and data the U.S. would be far less successful in efforts to break foreign markets, to protect property rights and to further the interests of American businesses internationally.

The business community has pointed out that, in the face of highly competitive markets where their foreign counterparts enjoy the full backing and support of their respective governments, the quality project support provided by TDA, for example, is essential to their success and thus to our overall U.S. economy.

Critics, however, have labeled these types of Federal assistance programs designed to promote U.S. exports and business abroad as corporate welfare. They claim that select businesses and industries which are politically well connected have an unfair advantage over the average American corporation. Further, they argue that big business is often the ones which reap the profits, not the small- or medium-sized businesses, the ones that really need the assistance.

Critics have also claimed that current Administration trade policies and programs are counterproductive and that, instead of leading to market openings, they lead to government and bureaucratic manipulation of trade flows.

They assert that the best government can do to promote economic growth is to simply get out of the way and let private entrepreneurs with their own capital at risk determine how the economy's resources will be directed, creating a level playing field, which minimizes government interference in the marketplace and dramatically reduces the overall regulatory burden and cost of the government.

Yet another critique is that these programs lie outside of Congress' limited spending authority under the Constitution and in fact they constitute a misuse of taxpayer funds.

As the Subcommittee with oversight jurisdiction over the function and operations, the operations of both the International Trade Administration and the Trade and Development Agency, we look forward to the testimonies of our witnesses today and to provide a forum for members to evaluate the effectiveness and the impact of these programs on promoting U.S. products and businesses abroad.

I am pleased to recognize the Ranking Member of our Subcommittee, Mr. Menendez from New Jersey, for his opening comments.

Mr. MENENDEZ. Thank you, Madam Chair lady, and I appreciate you holding this hearing. I think it is an important one.

America's marketplace is clearly global; and if America is going to stay on top, we need to ensure that our companies have equal access to that marketplace. To do that, we have got to understand where and what market opportunities exist. We need to enhance programs, in my view, in the areas of export promotion and con-

tract procurement so that we can compete on a level playing field with our foreign competitors. Last, we need to show off trade compliance programs to ensure that the countries that sign trade agreements with the United States comply with all of its provisions. Like laws, trade agreements need to be enforced for them to have meaning.

In my view, ITA and TDA are crucial to the maintenance of America's global economic leadership. I am concerned that the President's budget for the International Trade Administration appears to be inadequate. Not only does it presume the collection of fees by the Commercial Service at a level which I believe is unrealistic, the budget request also fails to provide inflationary adjustments to ITA's base, and I am concerned that these budget numbers will force ITA to make programmatic cuts.

We cannot afford to forfeit market opportunities cuts in emerging markets like Latin America, nor can we afford to be insufficiently staffed as we enter into substantial trade negotiations like the Chinese WTO accession negotiations.

We need to protect both America's opportunities and its interests. Similarly, we need to ensure that TDA is adequately funded. TDA is often the crucial factor between a project going to an American company or a foreign company. By funding feasibility studies, orientation visits, specialized training grounds, business workshops and various forms of technical assistance, TDA enables American businesses to compete for infrastructure and industrial projects in middle income and developing countries.

As we seek to address our trade deficit and maintain our competitive edge in the global market, we need to look to programs which yield big benefits for a small cost. We need to understand that American exports mean American jobs; and, clearly, I think that all of us understand that the goods and services that the United States are exporting support more than 12 million domestic jobs. That is something I believe all of us can get behind.

Just before the recess, I joined Congressman Manzullo, a Member of our Committee, in introducing the Export Enhancement Act of 1999 which reauthorizes and enhances some of the provisions in OPIC, TDA and ITA Programs. I believe these programs are crucial to reducing the escalating U.S. trade deficit, which reached a record high of \$19.4 billion in February of this year, by helping American companies to stake a claim in the global market through exports.

I look forward to hearing from our witnesses about how the Congress can best assist them in the preservation of America's global economic leadership, how we can best ensure foreign compliance with current trade agreements, advocate American interests in future trade agreements and guarantee American access to global market opportunities.

I would like to say in closing, Madam Chairlady, I have heard the concerns that have been expressed about corporate welfare. Let me just say, as someone who comes from a district that is rather blue collar, urban in nature, I would share those concerns. But in both ITA's and TDA's Programs, it is my clear view that what they do for us at the end of the day is really generate American jobs here at home, create American's business opportunities abroad that

ultimately inure to the benefit of our resources that we receive here at home in taxes that are paid, employment that is created, revenues that are generated and at the end of the day, with an incredibly small budget, and in many cases, such as OPIC, that returns money or gives money to the Federal Treasury.

I think that is a good deal for American taxpayers, and I appreciate you holding these hearings and giving us the opportunity to make that case.

Ms. ROS-LEHTINEN. Fine. Thank you.

Mr. Burr of North Carolina.

Mr. BURR. Madam Chairman, no opening statement. I would just take this opportunity to welcome all of our witnesses.

Ms. ROS-LEHTINEN. Thank you so much, Richard.

We will now introduce our first panel.

Ambassador David Aaron currently serves as Under Secretary of Commerce for International Trade, appointed by the President on June 10th of 1997. As head of the International Trade Administration, Ambassador Aaron is responsible for formulating and providing leadership for U.S. trade policy by promoting U.S. exports, by advocating for U.S. businesses abroad, and by ensuring compliance with U.S. trade agreements.

Prior to becoming Under Secretary, Ambassador Aaron was the U.S. Permanent Representative for the Organization for Economic Cooperation and Development, where he was instrumental in concluding multilateral OECD negotiations.

Thank you so much, Ambassador, for being with us.

Next we will hear from Nancy Frame, who joined the U.S. Trade and Development Agency as Deputy Director in 1986. As Deputy Director for TDA she is responsible for the day-to-day operations of this export promotion agency.

Prior to her position at TDA, she served as the Assistant General Counsel at the Agency for International Development, specializing in the area of international commercial law, as well as contracting. For her excellence in service in 1983 she received AID's Superior Honor Award for outstanding Service.

We welcome you here today, Ms. Frame.

I would like to tell the Members and the audience as well that Ambassador Aaron needs to leave by 2:15. Thus, we would appreciate it if the witnesses abide by the 5-minute rule and if Members would limit their questioning to afford everyone an opportunity to address the Administration's panel. If we run out of time and if there are additional questions you would like to raise, you can submit them in writing to the Subcommittee; and we will, of course, forward them to the appropriate officials so that both the questions and the answers are included in the official transcript.

We welcome both of you.

Ms. ROS-LEHTINEN. Ambassador Aaron.

STATEMENT OF THE HONORABLE DAVID AARON, UNDER SECRETARY FOR INTERNATIONAL TRADE, DEPARTMENT OF COMMERCE

Mr. AARON. Madam Chairlady and distinguished Members of the Subcommittee, thank you very much for this opportunity. I am

pleased to be here today to speak to you about the International Trade Administration's export promotion activities.

Basic to our mission are four functions—market opening, compliance, advocacy, and helping small- and medium-sized business, SME's, crack the international market.

On the last, let me note, between 1992 and 1997, the total number of U.S. exporters nearly doubled, from 112,000 to 220,900. And 97 percent of exporters are SME's. These are the people we help.

The three units of ITA engaged in export promotion are Market Access and Compliance, Trade Development and the Commercial Service. All work closely together to help American firms and workers take advantage of export opportunities. We also lead the Inter-agency Trade Promotion Coordinating Committee in implementing the national export strategy and coordinating activities of other agencies.

Since I came to ITA, each unit has better defined its role and achieved significant results, but each could be doing better. Budget constraints affect us all, this despite the fact that other countries spend many times more on export promotion per dollar of GNP. France, for example, spends 16 times as much as the U.S. on export promotion and puts eight times as many people in the field to assist its exporters.

Market Access and Compliance, which is ITA's smallest unit, was completely realigned 2 years ago. It now focuses on obtaining market access for American firms and workers and achieving full compliance by foreign nations with our trade agreement.

Ensuring access to foreign markets is absolutely essential. The best export promotion in the world won't get the job done if barriers block access.

The realigned MAC features are a Trade Compliance Center which spearheads this compliance activity. MAC has produced excellent results in removing access barriers and boosting U.S. exports. It is also generating cases for dispute settlement under the WTO and NAFTA, such as a Korean construction procurement that allegedly discriminates against U.S. bidders.

MAC does much more, despite receiving only about 84 percent of the President's requested budget in recent years. I can assure you that access to foreign markets just doesn't happen. An underfunded MAC means lost opportunities and potential damage to excluded U.S. exports.

Trade Development is the second largest unit of ITA. TD provides advocacy, export promotion services, industry-specific market analysis, and support for trade negotiations. It provides industry expertise found nowhere else in government or outside it.

The centerpiece of Trade Development and a key part of the President's export strategy is the Advocacy Center. It was born in the realization that U.S. companies were losing business to foreign firms that received strong support from their governments. We now stand beside U.S. companies as they fight for and win contracts.

Over its 5 years of existence, the Advocacy Center has helped U.S. firms win some 400 competitions for contracts. That is \$60 billion in U.S. export contracts and hundreds of thousands of U.S. jobs. SME's account for 25 percent of that total directly and much more indirectly as subcontractors and vendors.

Trade Development is also operating on meager rations. For years its operating budget has not kept pace with wage and price increases. Funding for the Advocacy Center has been reduced. The lean times has taken their toll in fewer industry specialists. New industries such as biotech and E-commerce have to be covered with stretched resources. Continuing along this path could result in even more severe service cutbacks.

That brings me to the largest unit of ITA, and that is the U.S. and Foreign Commercial Service. It is a global network of trade professionals stationed in more than 100 U.S. cities and 80 countries abroad. Small- and medium-sized companies are the Commercial Service's chief constituency. They receive a wide variety of information and counselling services from the U.S. and FCS.

The domestic staff counseled more than 35,000 clients last year and helped produce \$2.3 billion in exports. Overseas, the staff counseled more than 63,000 clients.

The Commercial Service has several new initiatives this year. It is expanding services to minority and rural business people, and it is developing an array of new electronic commerce products that will reduce market entry costs and open up new business opportunities.

These initiatives and other program expansions cost money. However, issues stemming from the fiscal year 1999 budget, including reductions to the base, increased costs of overseas administrative support, declining field revenues in the light of the Asian recession and issues relating to carryover cloud the budget picture going forward and may force some tradeoffs between our proposed new and existing programs.

Finally, let me briefly discuss the achievements of the Trade Promotion Coordinating Committee. Since its formation in 1993 the TPCC has established the National Network of U.S. Export Assistance Centers, developed a government strategy to combat bribery abroad and focused trade and finance programs on the Asian financial crisis, among many other initiatives. This year, one TPCC focus is on increasing coordination with the States. As always, helping small business to export is a top priority.

In conclusion, let me repeat that ITA is both committed to and effective in promoting U.S. exports. We have developed new and innovative ideas that are paying off for American companies, but we cannot follow through on these efforts without policy and budget support from the Congress. At a time when a slowed world economy demands that we support U.S. exporters more than ever before, we cannot withdraw from an area so critical to our economic prosperity.

I want to thank you for your attention and, in particular, for the Committee's support on ITA reauthorization. Thank you.

Ms. ROS-LEHTINEN. Thank you, Ambassador.

Ms. ROS-LEHTINEN. Ms. Frame.

**STATEMENT OF THE HONORABLE NANCY FRAME, DEPUTY
DIRECTOR, TRADE AND DEVELOPMENT AGENCY**

Ms. FRAME. Thank you.

Madam Chairwoman, Members of the Subcommittee, I want to thank you for giving me this opportunity to testify today on H.R.

1993, the Export Enhancement Act of 1999. We very much appreciate the efforts of Congressmen Menendez, Manzullo and Gejdenson along with Chairman Gilman for working so closely with us on this important legislation.

Let me begin by expressing the regrets of our Director, Joseph Grand Maison, who wanted to be here today to testify, but, unfortunately, he is attending a TDA-sponsored Asia-Pacific Aviation Symposium in Los Angeles. Although he very much wanted to be appear before you in support of this legislation, he was equally committed to facilitating the success of this conference, an event featuring over \$21 billion of potential export opportunities for U.S. firms.

I would like to just take a few minutes to tell you a little bit about the conferences that TDA sponsors. Last year we did a very successful Latin America Aviation Conference in Miami; and, building upon that, we formulated the conference in Los Angeles with the idea of introducing over 40 projects sponsors from Asia to over 100 U.S. business executives who are currently attending this conference. Not only will these U.S. executives learn a lot about a variety of projects in the aviation field from various Asian countries, but they also have the opportunity to meet one on one with the key decisionmakers for those projects. So this is an excellent opportunity.

In addition, we provide them with this briefing book, which, as you can see, is a very big book. It has got lots of information on all of the projects that are being featured at this conference.

We do a number of these conferences every year, and we believe that they are very successful in helping American businesses, particularly small businesses, learn about the project opportunities overseas and market their goods and services.

It is obviously easier for any business to go to one location in the United States where they have the opportunity to meet with a whole lot of project sponsors and to learn about a variety of projects, and also they are able to meet with people that they might not otherwise find available to them.

In addition to conferences, we fund orientation visits. We also call them reverse trade missions, and in this way we introduce foreign projects sponsors again to U.S. companies. An orientation visit brings the foreign delegates to the United States for a firsthand look at our equipment, our technology in operation and facilities all over the United States. In addition to these site visits, the orientation visits always include at least one business briefing, where interested companies can come once again, learn about the project opportunities that these foreign projects sponsors are moving forward on and have an opportunity to discuss the technology and services that they provide with them.

In addition, we found that the strategic use of very project-specific technical assistance training grants and procurement advisers can lead to increased exports of U.S. technology and services.

Now, all of these activities, all of these tools which I have just described complement our core activity which, of course, is funding feasibility studies on major infrastructure projects. The record shows that when a U.S. company conducts a feasibility study, it greatly increases the chances that U.S. companies will win the lu-

crative follow-on contracts that arise upon implementation of the project.

These then are the array of activities that TDA uses in order to achieve our mission, which, very simply put, is to create jobs in the United States by promoting exports to infrastructure projects in developing and middle-income countries. We are proud of the fact that \$32 of exports are associated with every dollar invested in TDA and fully $\frac{1}{3}$ of the projects in which we have invested results in exports.

Our program is dynamic and creative, and we are pleased that the legislation being proposed increases and reinforces this flexibility.

We also support the legislation because it codifies two existing policies, cost sharing and success fees, both of which help us to stretch our budget to meet the increasing demands of the global market.

Under our cost-sharing program, we have been able to leverage roughly 50 additional cents for every dollar invested by TDA. With regard to success fees, almost half of our feasibility studies last year had a success fee provision requiring that a U.S. company, if successful in project implementation, will pay back to TDA the amount of money that we put into the feasibility study.

While this success fee program is relatively new and the results are not yet in, we are cautiously optimistic about its prospects.

We are also proud of our record in working with small- and medium-sized firms. Fully 60 percent of the companies with which we do business are small, and many of the small companies get into the international marketplace by being subcontractors to larger companies.

A classic example of this is a small consulting firm in the aviation business, Birk, Hillman Associates. It is a firm located in Miami. They first learned about TDA because they were a subcontractor with Bechtel working on a TDA funded feasibility study on an aviation project in Trinidad. Building on this experience, they went on to win two TDA-funded feasibility studies on other airports, one in Peru and the other in Jamaica; and I am very happy to report that all of three of those projects are now moving forward.

Birk, Hillman have won exports of their services on those projects along with a lot of other American companies who are exporting goods to those projects.

Finally, I would just sum up by saying that we are very pleased that the proposed legislation authorizes full funding of the President's budget requests for TDA for fiscal year 2000. The proposed increase in our budget is relatively modest, going from \$44 million to \$48 million, but we believe it will be money well spent.

This year, the demand for our program has grown particularly in Latin America and Africa, and we have been forced to turn away some very good projects. Every missed opportunity can mean a loss of valuable, high-paying export jobs here in the United States.

We believe that the budget that has been proposed for fiscal year 2000 would allow us to continue to grow gradually and thoughtfully, and TDA welcomes the support of the Committee in pursuing this object.

Madam Chair, thank you again for this opportunity; and I certainly would be happy to answer any questions you have or others have.

Ms. ROS-LEHTINEN. Thank you so much.

Ms. ROS-LEHTINEN. I would like to ask a question to both of you and then an individual question to each.

What are the costs and benefits to U.S. taxpayers of your agencies' ITA and TDA Programs? What data do you have available to measure this data to determine the export potential versus the actual figures, the job creation versus domestic job loss, and have any studies been conducted on the impact on the U.S. economy should ITA and TDA products not be available?

Mr. AARON. We try very carefully to assess the actual export actions and the value of the export actions that ITA creates in the course of a year. For example, in trade advocacy work, we very carefully track that. It has been looked at by outside auditors to make sure that we are not inflating the figures or getting them wrong in any way. Last year, for example, our advocacy work on behalf of small- and medium-sized enterprise was \$400 million for an investment in the Advocacy Center of slightly over a million dollars.

So right there, just for small- and medium-sized enterprises, we have got more than our money's worth for the Advocacy Center.

The same is true, I think, for the U.S. and Foreign Commercial Service. When we look at what the SME's were able to accomplish last year and compare that to what was spent on the Commercial Service, I think we have a very strong set of numbers.

Let me see if I can find that right here in our budget papers. Page 62 here. Excuse me a moment. Thank you.

The programs funded in fiscal year 1997 supported about \$49 billion of exports in fiscal year 1997, with many more exports expected in future years. Since fiscal year 1995, the agencies have estimated to support an average of \$20 in exports per budget dollar spent on trade promotion.

It should be emphasized that these reflect several limitations. The numbers reflect several limitations. For example, more than one agency can support the same export with different contributions. Agency estimates of exports did not accurately indicate programs additionalities, so, therefore, some of the exports counted above might have taken place even in the absence of these numbers.

But, on balance, we believe that the investment that has been made of slightly more than \$200 million for all of ITA and for TDA and the other agencies, supporting almost \$50 billion in exports, is a very, very good investment for our country.

Ms. ROS-LEHTINEN. Thank you.

Ms. FRAME.

Ms. FRAME. With regard specifically to TDA, we track every single project that we get involved in to see what the results are, and we attempt to identify all of the exports that have gone to the United States from those projects. In total, our activities have facilitated over \$12.3 billion in U.S. exports. That is a return of \$32 in U.S. exports for every dollar that TDA has invested, and we believe that is an excellent return on our fairly small investment.

Ms. ROS-LEHTINEN. Thank you.

Ambassador, I wanted to ask you about overlapping duties. A recent inspection report by the Inspector General for Auditing at the Department of Commerce found that there is relatively little cooperation between the National Telecommunications and Information Administration and the International Trade Administration. In fact, it states that ITA's Office of Telecommunications within the Trade Development unit has its own staff working on many of the same issues, and this certainly does point to a potential problem of overlapping duties.

How can export promotion activities, trade monitoring, compliance be streamlined so that we can make better use of our resources and how are operations coordinated within the 19 Federal entities that are involved in trade that would enable us to offer efficiency and expediency and a better use of taxpayers' funds?

Mr. AARON. I think this is a very important question. As your question noted, there are problems within agencies and there are potential problems between agencies.

Within our agency, on the specific question that you asked, the office that is inside TD that deals with telecommunications really focuses its operational activities in a different area than the telecommunications office that functions separately under a separate assistant secretary.

That office, frankly, focuses primarily on domestic kinds of issues, occasionally involving itself in international issues such as the distribution of spectrum, the whole question of domain names of the Internet and so forth. That is their activity. Our activity has been focused much more on trade barriers and standards and potential trade barriers.

For example, our office in TD has taken on this question of the third generation wireless standard that is being adopted in Europe. This issue had the potential of barring U.S. technology from being sold in Europe, and we lose literally a multibillion dollar trade barrier in the making due to this office in TD which focused on the trade barrier type of issue. We have now reached a compromise which is slowly working its way through the international standards bodies and we hope will be adopted by the ITU in the near future.

So while they both focus on telecommunications issues they are focusing on rather different issues; the other agency essentially domestic, with some international dimensions that are highly technical. We are focusing primarily on trade barriers and standards that would impede trade.

Now as for the interagency process, we have established the Trade Promotion Coordinating Committee, which meets regularly at many levels, the office director level, assistant secretary, under secretary, and even Cabinet level. What we try to do is coordinate our trade promotion efforts, try to coordinate our trade missions. We coordinate and discuss how we can get, for example, the work of TD to support a particular advocacy project that may be advocated by the Department of Commerce, and then we work with Eximbank to see if they can come in with financing for a particular project, so that all of us are working in tandem to bring our specific expertise to bear.

This process, without being too elaborate about it, I think is working pretty well; and what we are trying to do this year is bring the States into it, because the States themselves, Governors and even mayors, often are leading proponents of trade with their particular regions. We are now working with them to try to coordinate their activities with Federal efforts to support them and to gain benefit of their efforts as well.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Ambassador.

Mr. Menendez.

Mr. MENENDEZ. Thank you, Madam Chairlady.

I want to thank you, both of you, for your testimony.

I want to pursue first with you, Ambassador, on a budgetary situation of the agency; and before I do that, let me understand correctly your answers to the Chairlady's questions.

I heard you say that in the advocacy work your agency is generating \$400 million for a million dollars' worth of—is that million dollars your budget—

Mr. AARON. Yes, just for the advocacy area.

Mr. MENENDEZ. On the advocacy area. Nearly \$50 billion in terms of actual exports.

Mr. AARON. \$50 billion overall for all of the trade agencies in the Trade Promotion Coordinating Committee group.

Mr. MENENDEZ. All right. I think there is a general norm out there that says for every billion dollars we generate 13,000 jobs, so if we were to multiply that \$50 billion, that is 650,000 jobs here in the United States. So I just want to make sure about that.

Having said that, two questions, and one is a prelude to the next. This issue that is constantly raised that you and the other relative agencies are part a corporate welfare program and really dealing with the biggest entities, how would you respond to that?

Mr. AARON. It is not true, for several reasons.

First of all, most of our effort goes to supporting small- and medium-sized enterprise.

Mr. MENENDEZ. As defined?

Mr. AARON. As defined by—really by the Small Business Administration, which is small- and medium-sized businesses at 500 to 100; and I think small business is 100 below. I think that is the definition, anyway. They are below 500 personnel. This is our real focus. This is where we try to provide additional support.

We do that not only in big projects like for our Advocacy Center, but, as I say, even in the Advocacy Center itself which tends to deal with large-scale infrastructure projects, even there, 25 percent of the contracts that are awarded through the Advocacy Center go directly to small- and medium-sized businesses. Then, beyond that, of course, small- and medium-sized businesses participate in sub-contractors and vendors.

But focusing on SME's themselves, there are a number of things that we do for them that we don't believe can be considered corporate welfare.

First of all, we provide services that the private sector cannot, including this advocacy work. Second is dealing with issues like corruption and dealing with standards setting so that standards are equal and small companies can participate in it and compliance with our trade agreement.

Second, small businesses often and quite frequently, particularly if they are just getting into the export business, do not have the expertise or the financial wherewithal to open up new markets, to do the market research to find the contact, to develop the trade leads that would be possible. They come to us. Our Commercial Service goes out and works on their behalf as their trade consultants, both domestically and in our foreign places, to bring to them trade opportunities, to bring to them potential distributors, agents, even potential paying customers. So this is a very important function that can't be found anyplace else.

Third, as I pointed out, these produce I think very important returns. But, third, these programs are crucial to meet foreign competition. This is a very competitive world now, and other governments are working very hard to support their large-, small- and medium-sized businesses, and in terms of dollars for GDP, if you look at most of our competitors, they outspend us on GDP per dollar basis between 5 and 15 times what we are spending.

Mr. MENENDEZ. Between 5 and 15 times?

Mr. AARON. That is right, depending on the country.

Mr. MENENDEZ. That leads to my last question, which is, I am concerned about your budget. I understand your limitations with regard to answers that you are going to give to my questions. Before I have you answer, we have got a whole bunch of trade agreements currently being negotiated—China's entry into the World Trade Organization, the upcoming WTO ministerial meeting in Seattle, the Transatlantic Economic Partnership, the Free Trade of the Americas.

USTR, of course, is the lead on this; and they only have about 150 people. They have to depend to a large degree on you for the country and sectorial areas. Do you understand, for example, some of the issues we have in Japan and elsewhere and in terms of some of the interests that we have in promoting greater opportunities in emerging markets like Latin America? Do you really have with this budget the wherewithal to meet those challenges?

Mr. AARON. Without reference to this budget specifically, which we support as the President's budget, I think it is fair to say that when you look, for example, in the negotiating area, we used to have during the Uruguay Round 30 officers supporting USTR just in the Uruguay Round.

We are now preparing for a new round, which will be upon us in November. We have only six officers to deal with the preparation for that round; and it is going to be, I am sorry to say, at least as complex as the Uruguay Round. If we—

Mr. MENENDEZ. So one-fifth of what you had originally?

Mr. AARON. That is just in that office alone.

If you look at China, we are in the process now of trying to negotiate China's succession to the WTO. The staff that we have had there in recent years has declined from nine to four. When China comes into the WTO, there will be a great panoply of things that they have committed themselves to do.

We will have to monitor that. We will have to monitor this enormously complex agreement to be sure that our companies are really getting their fair share, and we have got four people to do it with.

Japan shows a similar situation. We used to have 18; now we have eight.

In the European area, I believe we used to have 11, and now we have 6. We are trying to monitor mutual recognition agreements that are worth a billion dollars a year to U.S. industry if they are followed, if they comply with them. So in that area, we have important shortfalls.

I think I also have to say that over the last many years, in order to meet Congress' own budget targets, we have had a situation where oftentimes there were kind of one-shot funding devices found to pay for some of the activities of ITA, whether that be the Commercial Service or the Trade Development Agency. But these one-shot arrangements, like raiding a pension fund, for example, that there was for our Foreign Service nationals abroad or assuming a certain level of carryover that actually didn't exist or proposing a certain level of—being able to find money in different little pots around the agency, we have done all of that. Each time we have used those, the next year, of course, the base of our appropriation is in fact lower, because we have used those things, not straight appropriations, to pay for it.

So we get this step-down phenomena that is taking place from trying to take money from all of these different pots, some of which need to be replaced. So we have arrived at a point as a result of previous budget cycles where our services are very tightly strapped and where we are having to look at the issue of actually closing offices, both here and abroad.

Mr. MENENDEZ. Thank you, Madam Chairlady.

I think—32 to 1 odds. I like 400 million to 1. I don't understand the zeal that some of my colleagues have here in the House for the export, the undercutting of the very opportunities to make sure that we can even do greater export opportunities. I appreciate your answers.

Thank you, Madam Chairman.

Ms. ROS-LEHTINEN. Thank you, Mr. Menendez.

Mr. Burr.

Mr. BURR. Thank you, Madam Chairman.

Let me just ask you, Ambassador, there are 19 Federal export promotion agencies. Do we need all of them?

Mr. AARON. We call them export promotion agencies, because they are on our Export Promotion Panel. But the fact of the matter is there are agencies like USAID that spend money, and some of that money is spent abroad. So, therefore, we try to get that money back as exports.

They are the State Department, because they have a role in advocacy. I mean, you can go down the list and you will find that they are tangentially related to export.

When you get down to it, the real core export promotion agencies are our agency; TDA, which gets in at the ground floor of big projects; Eximbank, that does financing for exports. We are the three agencies that really have to work together, and I think we do, and I think we do so very effectively.

Mr. BURR. They all do claim some responsibility in real dollars as to what they bring in export, don't they? I mean, every one I listened to claim some dollars that they have brought.

I guess where I am getting at is, you gave the total number of dollars, and you have said, here is our share of it. Is everybody claiming the same dollars?

Mr. AARON. As I tried to indicate in my answer to the Chairwoman, there is a problem of sorting out exactly where——

Mr. BURR. Whose dollars are what?

Mr. AARON. Whose dollars are whose. But we think the numbers are pretty good. But we would have to put an asterisk on it, and maybe some people are doing that. I am sorry I have left out OPIC which, since that is a subject of your bill. I am very remiss in identifying it as very, very important.

Mr. BURR. Just out of curiosity, how many people do you have with you today?

Mr. AARON. I have three people with me, and I have lots of people here whose budgets are going to be affected by your decisions.

Mr. BURR. They are certainly responsive to the questions.

How do you allocate your resources?

Mr. AARON. Well——

Mr. BURR. Let me say, you mentioned industry specialist. How do you choose which industries? Do you have them for all?

Mr. AARON. First of all, the government goes back many years, and so we inherit a certain structure. We look at that structure, and we say to ourselves, is this the structure we need now? How many people do we have in aviation? How many in basic industries? How many in tourism? How many in services and insurance and so forth?

Before the Congress now is a plan of realignment for ITA which will shift some resources, shift some of the people inside our industry specialization, move some of people out from industries that aren't as active, aren't as important for us to support and support themselves to industries that need support. Like we are creating a new area for electronic commerce. We are strengthening our area in biotechnology.

Similarly, a few years ago the Congress decided we shouldn't be in the area of supporting tourism, so we basically got rid of the tourism office, even though we still have a lot of responsibilities for collecting information and having knowledge of that area.

So, basically, it is a question of continuing review, trying to get a sense of what industry wants. We have—with our ISAC and ITAC Industry Advisory Councils, we get a good sense of what is needed out there from the standpoint of promoting trade, what is needed from the standpoint of knocking down trade barriers, and that gives us a sense of how we structure the level of staffing for the various industrial sectors.

Mr. BURR. Let me ask one question for the Trade and Development Agency, and I know other Members would like to catch you before they go. I think you supplied for us or the Committee supplied to us an appendix to Trade and Development Agency Program activities, the number of participating companies State by State. I would take for granted that they are listed for the State and the number of participating companies for the 1997 timeframe, that the numbers to the side would indicate how many companies in each area that participated with you in some type of activity. Would that be correct?

Ms. FRAME. I believe that is correct. I am not really familiar with that document. We didn't provide that, I guess.

Mr. BURR. Let me just ask you, in this particular case at the top of the list of the District of Columbia and Virginia with almost 50 percent of the participating companies, would that be a correct conclusion on my part that 50 percent of the companies that participated with you at the agency came from those two areas, either the District of Columbia or the State of Virginia?

Ms. FRAME. I think that is unlikely. I don't know the answer to that absolutely, and we can get back to you on that.

We do a lot of business with small consulting firms. They help us to analyze the projects that come to us to help us make decisions whether or not to fund a \$500,000 feasibility study or \$200,000 feasibility study.

So there are a number of small businesses in this local area that do assist us, so that may bring some of the numbers up. But I think it is not that high. So I am not quite sure where that comes from.

Mr. BURR. Assist you in determining—

Ms. FRAME. Assist us in analyzing—in making our due diligence and deciding whether or not to fund a feasibility study. We call these definitional missions or desk study contracts. They are the small contracts.

Mr. BURR. So how many companies in the United States in whatever the last year you have a record for, worked with you?

Ms. FRAME. We do approximately 150 feasibility studies a year, so there is going to be at least—there may be some overlap of some companies doing more than one feasibility study. In addition, we do about 180 direct contracts for these small contracts, definitional missions and desk studies. Those are the companies that work with us directly, if you will.

But, in fact, there are companies all over the United States who are really the beneficiaries of our program. It is not these companies with whom we have contracts or who actually do the feasibility studies. It is all the small- and middle-sized, big companies that manufacture—

Mr. BURR. That are affected.

Ms. FRAME [continuing]. Exactly, that manufacture the products that go into the project.

Mr. BURR. How do you choose where you hold these conferences?

Ms. FRAME. We try to spread them around throughout the United States. In part it depends on the sector. For the aviation sector, we thought Los Angeles would be a good locale, because it is close to a number of companies that are in the aviation sector. But we do have conferences all over the United States, and so we try to spread them around a little. Because, for us, the conferences are also an outreach for TDA. It is an opportunity for other companies who are in that area who might come to that conference to learn about what we have to offer in terms of goods and services, as well as it is obviously learning about the projects. That is the main focus of the foreign projects.

Mr. BURR. I thank the chair. I would yield back.

Ms. ROS-LEHTINEN. Thank you so much.

Mr. Sherman.

Mr. SHERMAN. Thank you, Madam Chairman.

Ms. ROS-LEHTINEN. And, Mr. Ambassador, we understand, as previously announced, that you do have to leave.

Mr. AARON. I would like to take one question. My deputy is here, and he can answer.

Ms. ROS-LEHTINEN. No problem. We have informed the Members you need to leave, and if any questions are related to that—

Mr. SHERMAN. If you have time for just one question.

Mr. AARON. Please.

Mr. SHERMAN. Let me pose the following example and draw upon your expertise.

Let me say we let China into WTO, and they do a spectacular job of changing their statutes and regulations. You can't find a single flaw in any one of them. American exporters go over there. They think they have a good product, better than the Europeans, et cetera. My good friend, Nancy Pelosi, gives a speech about human rights in China. The business in China that they are trying to sell to gets a call from a commissar that says, dear Mr. Businessman, I know that the Americans have the best product, the best price. Great. OPIC can help—assist in financing to boot. But, if you buy their product, you will need to be sent to a reeducation camp.

Is there any way in hell that we could possibly find out about that or take any enforcement action? I mean, it would obviously be an unfair trade practice, but there would be no way we would find out about it.

If we live by the rule of law and we make our laws open—and they live by the rule of political fear, where a telephone call or a hint can stop a billion dollar project—then aren't we condemning ourselves to absolute, total failure to have any kind of balanced trade, as long as we ignore results and rely only on the published laws of a society that doesn't follow its laws?

Mr. AARON. I think it is a very good question. I think what we do is try to rely on results. That is what our compliance group is trying to do.

For example, we recently ran into difficulties in the procurements for a contract for a multibillion dollar project in Korea on their airport. They had committed themselves in the WTO to certain government procurement practices which should have given us an access to that project. They just said, no, it wasn't, it didn't, it couldn't, it is not, it is something else, it is not here.

Mr. SHERMAN. Here you have—

Mr. AARON. Wait. We went to them, pressed this. Finally, we have taken them to the WTO; and we are going through a formal dispute settlement process, because we looked at the results and not at the letter of their commitments. We looked at their actual performance.

Now, my intention will be to look at the performance of China as well. There are informal relationships in every society, and you can run into the kind of problem you just talked about in countries all over the world, not merely China, other places—in Asia, Latin America, Africa, Middle East and even Europe. The only way that you can fight those is to stay very close to your industry, develop information on patterns of activities that are taking place and then

use all of your diplomatic and legal remedies to respond to it. We do. We have had success.

Mr. SHERMAN. Unless you are able to tap the phones of every Chinese business person in a position to make a subjective decision, I just don't know how you deal with this. But I know—if you have to go, I understand.

Mr. AARON. Thank you very much.

Mr. SHERMAN. There is a kind of artificial division of thought on trade that says you are either pro-trade or you are pro-protectionist. I think many of us are pro-export. I think several of us here on the panel have cosponsored the Export Enhancement Act, yet those of us who are pro-trade are somehow lumped together with these saccharin sweet, “we-are-doing-great” presentations we often get from those involved in trade that tell us that total American trade is growing year after year without ever mentioning that we have the largest trade deficit in the history of mammalian life.

As I just illustrated, even if we get new agreements, new agreements mean that American business people are free to import with lower tariffs, the absence of quotas, and they are going to do whatever is in their best interests. In contrast, it means that a business person from a closed society is free to do whatever he is told to do or she is told to do over the phone; and we will never find out what those instructions are.

But the other thing is that we have an Administration that is urging that we plunge headlong into all kinds of new trade agreements, and what has been very interesting here is that Administration—that these trade agreements are going to be inadequately negotiated and grossly inadequately enforced.

We now have eight people dealing with an issue with Japan that we used to have 18 people deal with.

You work for an Administration, Ms. Frame, and I am sure that they are in favor of all of these new trade agreements. But just between us, is there any chance that you would ever have the resources to enforce them?

Ms. FRAME. Luckily, this is not my area. As my boss says, we don't make policy; we just get involved in feasibility studies on projects. So I am going to turn it over to Tim Houser.

Mr. SHERMAN. It is a question for your new boss.

Mr. MALLOY. I am Pat Malloy. I am the Assistant Secretary for Commerce for Market Access and Compliance. I have been in this job for a year. I come to it after 15 years working on the Senate side for the Banking Committee, so I am very familiar with the concerns here in the Congress.

One of the things I got down there and looked at is the decline in the resources that we have to deal with these country trade problems. We have been underfunded—gotten 84 percent of what we have asked for over the last 4 years, and that means a decline in resources for Japan, China, and Europe and these other—

Mr. SHERMAN. Decline in resources as you have a skyrocketing trade deficit, as you have an increase in total trade, as you have more sophisticated means of keeping exports out of countries.

Mr. MALLOY. I agree with you, Congressman. This is a very important—

Mr. SHERMAN. The Administration that wants fast track authority is also the Administration that submitted the budget to continue for 1 more year inadequate funding.

Mr. MALLOY. Let me tell you, Congressman, over the last 4 years for MAC, which I am in charge of, we have requested, I think, around \$87 million for resources. We have got about \$70 million. So we have been underfunded by a pretty good amount.

Mr. SHERMAN. So Congress has been cutting. But even if you got everything you wanted, you would have—everything you asked for, not everything you wanted, you would still have grossly inadequate resources to try to enforce the trade agreements that we already have, let alone the new ones that the Administration that puts you down for \$87 million would like us to have.

Mr. MALLOY. Our budget request for now is somewhere around \$22 million. I think that the bill that Congressman Manzullo and others put in would give us about \$24 million for Market Access and Compliance activities, which would be an enormous increase, and we would really be able to strengthen.

Mr. SHERMAN. You are saying your agency is at 22—

Mr. MALLOY. My Market Access and Compliance.

Mr. SHERMAN [continuing]. Units—

Mr. MALLOY. We have got about \$17.7 in our base, and I think our request would give us—the President's request would give us about \$4½ million more, and then Congressman Manzullo's and other bills would give us about 2 million on top of that. So if we got what your Committee is proposing to authorize, it would tremendously strengthen all of those countries' desk functions for us.

Mr. SHERMAN. So if I understand this, we are trying to authorize you for \$2 million more—when I say you, I mean the MAC?

Mr. MALLOY. More than the President's request.

Mr. SHERMAN. More than the President has asked for.

Mr. MALLOY. That would be enormously helpful. But I am sticking with the President's request. But it would be helpful.

Mr. SHERMAN. That is at least a small step in the right direction.

Mr. MALLOY. Right.

Mr. SHERMAN. I don't know if I have time for another question.

Ms. ROS-LEHTINEN. Yes.

Mr. SHERMAN. There was great fanfare about getting the other developed countries to agree to a Foreign Controlled Practices Act. I wonder if you could report on whether, as a practical matter, a French or a German firm would face criminal prosecution at home today if they slipped a suitcase filled with marks or francs into the hands of a government official in a Third World or other market country.

Mr. MALLOY. First off, I appreciate that question.

I worked for Proxmire, who wrote the original Foreign Corrupt Practices Act, and I worked with him in 1988 when we tried to get the provision in the OECD. When Ambassador Aaron was over there, this Administration really pushed that hard. We do have this convention now which was approved by the Senate last year.

We have a report which we will be submitting to the Congress probably I think by the end of July which will talk about the agreement, what each country committed to do, who has adhered to it,

what kind of laws they had passed and who still is not fulfilling the terms of the convention.

So that, again, is another part of what MAC does. We monitor this international bribery convention, and we will be giving a report to the Congress. I think it was this Committee which required that report, and we will be happy to get it up to you in July.

Mr. SHERMAN. Whether it is the Committee in general or Mr. Manzullo in particular with the argument to increase your authorization, there are brilliant people on this Committee.

Mr. MALLOY. We appreciate it.

Mr. SHERMAN. But can you just preview your report and just tell me whether a German or a French business person would likely face prosecution under those circumstances?

Mr. MALLOY. My understanding is again under the terms of the convention each country—

Mr. SHERMAN. I mean in terms of the laws on the books.

Mr. MALLOY [continuing]. Committed to criminalize that activity. I can't tell you right now without refreshing my recollection exactly what the situation is in France and Germany.

Mr. SHERMAN. I hope you would tell us each year how many people in Japan and Europe have actually been prosecuted or actually incarcerated for foreign corrupt practices. If the number gets all the way up to one in any of our major competitor countries, please let me know.

Mr. MALLOY. Thank you, Congressman.

Ms. ROS-LEHTINEN. Thank you, Mr. Sherman.

Mr. Manzullo.

Mr. MANZULLO. Thank you.

We had an interesting hearing with George Munoz on OPIC, Mr. Sherman, I understand your inquiry on the Foreign Corrupt Practices Act, but the activities of the foreign countries don't have to go to marks in a bag.

There was a firm out of southern Wisconsin that makes weed-eating machines, trying to get a contract into Thailand, and the Canadian government—I just returned from an inter parliamentary exchange with their members of parliament 2 weeks ago. The Canadian government gave a weed-eating machine to the Prince of Thailand. Here is our weed eating machine. It is just wonderful. You take it. It is your gift. If you like it, we will sell you some more.

That is the type of fierce, I mean, cut-throat competition that the French spend—I mean—I don't want to start an international incident here, but you want to talk about some really tough negotiations, they spend 16 to 20 times more per capita on export opportunities, subsidizing the bridges out of their exporters, and our American companies just taking it on the chin time and time again.

I put in this bill to give you an increase. I vote against everything in this Congress most of the time. I am one of the most conservative Members here. I don't even like government. I voted yesterday against the market access program. Is that what it was?

Ms. ROS-LEHTINEN. Yes.

Mr. MANZULLO. Market access. Let me get the right one. Which one was it?

Ms. ROS-LEHTINEN. Market access.

Mr. MANZULLO. The market access with the Department of Agriculture because it was \$100 million. Because I think we have to pick and choose as to who is actually doing it.

The Market Access Program does programs and joint things with matching moneys and partnerships and promotion of this and advertising. Your organization doesn't do that stuff. You go after actual contracts and get it right down to working with companies, many of whom are small and would never have the opportunity to become an exporter were it not for the type of very distinct and unique services that your agency provides to them. I mean, me voting to increase something, that is very unusual.

Brad, you know me. You ask my kids how cheap I am.

Mr. SHERMAN. You don't have to.

Mr. MANZULLO. And you don't have to. But for me to weigh in and try to increase what is going on here—the area that I represent, the 16th District of Illinois, in 1981, it led the Nation in unemployment at close to 28 percent. A city of 140,000 that had over 1,000 industries lost 100 companies and 10,000 highly skilled jobs. A lot of it was because of the strong American dollar, but when the recession hit, it hit the tool and dye industry first. It is the first to get hit, and the last to recover. It has been hit now, and it has been hit bad.

This country has lost 100,000 manufacturing jobs in the past year, and the employment—the new employment is reflected in terms of jobs in the service industry. So the figures are already false out there, and our people back home that export machine tools are hurting, and they are hurting bad, big time, anywhere from the giant companies that are being excluded because of unfair and unreasonable export controls to the little guys that want to expand their base. So in case there is a downturn domestically they can't do it.

So we have to look to agencies that aren't just involved in promoting generic products overseas but get down to working one on one, and that is exactly what your company does.

Now after that glowing editorial, the key issue that I would ask both of you is, and this really goes to the guts of the reauthorization and to the success of the agency, is what is it that you do that cannot be done in the private sector? Because the answer to that justifies your existence.

Mr. MALLOY. The first thing, just my narrow part of what ITA does, which is the monitoring and enforcing of trade agreements, the private sector cannot take these countries one on one and talk with them about whether they are not—they are fulfilling the terms of an agreement that they have made with us or as part of a WTO or a NAFTA or some other agreement that we have entered into. That is a governmental function—

Mr. MANZULLO. That is monitoring fairness.

Mr. MALLOY. Monitoring whether in fact the other country—when our guys run into trade barriers in the other country and come in and say, we have got a problem here—first you look at it and say, now does it violate the terms of one of our agreements with that country? If it does, it is a governmental function. Then go to the other country and say, you are not living up to the terms of this agreement. Then you take it on with them through different

layers of, from myself up to the Secretary's level, and even we prepare talking points for the President when he is going to meet with people to raise issues that we think are problems that are violating of our trade rights.

Now, if you can't get it done on that basis, then you either take it—we go to USTR and say, this is a case that we have to bring to the WTO and try to get relief from the market access problems that we run into. Private industry cannot do that. They cannot take it up, government to government, and they can't take it to the WTO.

So that is a governmental function, I think, in terms of the foreign commercial service being out there in the embassies in the field and again helping us when we identify a problem to go to the other government and take it up on a regular basis; or knowing the key people in the other government who are decisionmakers who our people should go and see and talk about their problems. This can't be done by the private sector.

I know my friend Ed Rice will be talking to you because we work very closely with the private sector to try to understand where they are running into these market access problems. We cannot do it just by studying the agreements; we have to have live people come in and tell us, here is a problem area, can you help us. They will tell you that the government has to take those issues on. If we are not adequately funded, we can't do it.

One of the things that the Under Secretary talked about is the number of new exporters. The number of new exporters in this country has almost doubled in the last 6 or 7 years. These people can't afford lawyers and lobbyists in Washington. We have to be the ones that they can turn to when they run into these problems. If we are going to say we are going to be in a global economy, they have to know who they can turn to and get help when they run into problems abroad.

Mr. MANZULLO. If a company thinks that they are being unfairly priced by predatory pricing from foreign countries, do you work with them to get them before the International Trade Commission? Is that also part of your mission?

Mr. MALLOY. We have our import Administration people. For example, if there is dumping, that is part of the ITA. It is not authorized by your Committee, it is authorized by the Ways and Means Committee. But that is a governmental function.

When we have the advocacy—for years we were involved in geopolitical struggle in the Cold War and commercial activity was not considered right for top policymakers. We did not advocate for our companies.

Right now, we are really taking on that function in a big way. Our advocacy center in trade development is the one that tracks and monitors these contracts around the world and where input by top policymakers can be helpful with foreign officials.

That is an area that can't be done by the private sector. In fact, they come and ask us for help on it.

Mr. MANZULLO. Thank you. I don't have any questions for you, Ms. Frame.

Ms. ROS-LEHTINEN. We appreciate your being here with us, and if we have any followup questions, we will be glad to submit them.

Mr. MALLOY. Thank you. We really appreciate the help of this Committee.

Ms. ROS-LEHTINEN. I would like to introduce our second panel.

Mr. Edmund Rice, in 1998 Mr. Rice was named president of the Coalition for Employment Through Exports, which is a coalition representing 35 major U.S. exporters and specializes in issues of export financing and export promotion. Prior to his election as president of CEE, Mr. Rice was staff director for this Subcommittee. He served with Congressman Toby Roth and specialized in banking legislation as well, and we are happy to have you back with us. Thank you for being with us.

Next we will hear from James "Al" Merritt who is the president and founder of MD International, a company which resides in my congressional district. Mr. Merritt is an outstanding example of the rapidly growing business sector in south Florida. Prior to founding MD International, he was the Latin American general manager for Welch Allyn, Inc., a New York-based lending manufacturer of diagnostic equipment and before his work at Welch Allyn, he worked for Schultz Medical Information in Copenhagen.

Next we will hear from Michael Katz. Mr. Katz is the president and founder of Cenogenics Corporation. This company was honored with the New Jersey Exporter of the Year award and the SBA National Exporter of the Year award in 1990 because of its profitable growth and because of its expansion to over 70 international areas.

Prior to his tenure as president, he served as president of Medical Technology Corporation where he was responsible for diagnostic product development, for developing manufacturing systems and for domestic and international market activities and corporate financial management. We welcome all three gentlemen with us today.

Ms. ROS-LEHTINEN. Ed, we would like to start with you.

STATEMENT OF EDMUND RICE, PRESIDENT, COALITION FOR EMPLOYMENT THROUGH EXPORTS

Mr. RICE. Thank you, Madam Chair, and thank you again for your very kind comments. Congressman Manzullo, it is great to see you again. I was honored to work for you and your colleagues on the Subcommittee for a number of years, and it is great to be back.

Let me make a couple of brief comments so we can all get to the more important testimony from the people on this panel who are actually out making the deals and working in the export markets.

Two points first of all about what is happening with U.S. exports that underscores the importance of this Subcommittee's work and, in particular, H.R. 1993:

In 1998, for the first time in a number of years, U.S. exports dropped 1 percent, and that was in a global export market that, in fact, rose 3.5 percent. So for the first time in a number of years, the U.S. market share of global trade dropped.

There are a number of factors that have contributed to that. The Asian economic downturn is certainly one; and another important factor is the fierce, cutthroat competition that Congressman Manzullo put his finger on in his earlier comments. Global markets are getting ever more competitive, and governments in foreign countries are ever more closely aligned, we find, with their exporters

with one goal, and that is to take away business from American companies.

Second, the economic impact of this drop and the slowdown in U.S. exports has been masked to a certain extent by the continued rise in domestic consumer spending, but that spending is coming at a cost to household savings. In fact, we have seen in the last several months negative savings rates which has been fueling economic growth. The point is that that circumstance is not going to continue for very much longer. American consumers are going to reach a psychological point where they are not willing to spend their savings and take on more debt, and domestic consumer-driven demand is going to drop. That means that the weakness in U.S. exports and the overall economic impact of that is going to become ever more apparent, and that is going to become a big issue. So this Subcommittee is ahead of the curve in looking at the importance in U.S. exports in terms of the global economy.

Let me make a couple of points about TDA. Since its inception in 1980, TDA has been successful in helping U.S. exporters win roles in infrastructure projects overseas. To U.S. exporters, that is really the key role that TDA has been playing. By helping to fund the feasibility and initial design of these projects, the U.S. Government gives U.S. companies a leg up in winning the follow-on business. That is the conceptual underpinning for TDA, and in fact, it has worked very well. For a very small amount of investment of U.S. funds, the payoff is a multiple, as was indicated in TDA's earlier testimony, with U.S.-origin exports, which can go on for years and years. Very often the export "tail," in the parlance of U.S. companies, can be 20 years in one of these infrastructure projects. The initial investment by TDA is helping U.S. companies to win.

Now our competition is doing the same thing. Japan, in particular, is very aggressive in trying to help with the design of infrastructure projects to try to steer these projects to Japanese companies. Without TDA, U.S. companies would be less able to compete in particular against the Japanese aggressive actions.

Now to the International Trade Administration. ITA helps in several very practical ways that are not sometimes fully understood or appreciated, and I would just hit on five key roles to summarize. First, to support U.S. trade negotiating—that was a point Congressman Menendez touched on earlier—the data and analysis used by Ambassador Barshefsky and her colleagues mostly comes from the ITA. USTR is a very small agency. They do superb work, but they would be flying blind without ITA in negotiating on behalf of the U.S. Government and U.S. exporters.

Second, once trade pacts are completed, ITA does the monitoring, not the U.S. Trade Representative's office; ITA does the monitoring and the enforcement of these agreements. Pat Malloy's office is doing a super job in that regard. There can never be enough resources. This is an era of limits in government, but the more resources that are devoted to enforcing these agreements, as Congressman Sherman was indicating earlier, the better off we are.

Third, on the individual company level, ITA acts as an advocate when U.S. companies run into bureaucratic red tape overseas, and that happens all the time. The U.S. exporter has a transaction, the deal moves forward, the goods leave. They arrive in the overseas

port, and all of a sudden there is a problem. Customs is giving them a problem, some inspection, some new obscure rule shows up.

Who does the U.S. exporter turn to in that circumstance when the obstacle is a foreign official? The answer is, the International Trade Administration, to the U.S. foreign and commercial service; and they are very effective in stepping in and using the power and influence of the U.S. Government to solve these kinds of problems. Without the foreign and commercial service available, U.S. exporters would be on their own. In many of these foreign countries, that means that they would be left holding the bag.

Fourth, small- and medium-size exporters use ITA for reliable market data and clues on finding real, live customers overseas, a point that Congressman Menendez made earlier. In particular, the export assistance centers, which originated legislatively in this Subcommittee, have been extremely helpful to small- and medium-size exporters in finding overseas export opportunities.

A second office at the Commerce Department which has been particularly good in this area has been the BISNIS office, that is B-I-S-N-I-S office, that finds export opportunities in Russia and the NIS countries. Yes, there are export opportunities in Russia.

Every day U.S. exporters are making deals successfully, and the BISNIS office at Commerce is helping in that regard. Every day they are sending out real, live leads for U.S. companies to pursue. As a matter of fact, I got two such contacts from them just today. Before I came up to this Subcommittee, I got two messages from the Commerce Department, listing export opportunities in a country that the mainstream media would indicate is flat on its back. In fact, they are buying U.S. goods through the help of the ITA.

Finally, ITA helps to coordinate Federal programs. This is a point that Congressman Burr raised earlier about the many agencies that are involved. Yes, there are too many Federal agencies involved; not being in the government any more I can make that comment.

This Subcommittee created the Trade Promotion Coordinating Committee to help deal with that, and it is a tough battle—it is a tough battle to rein in the bureaucracies that want to establish their own export programs. The answer is to further strengthen the Trade Promotion Coordinating Committee so it can help remove these duplications that exist in the Federal bureaucracy.

My final point in the real world, success in trade depends on a partnership. That is how our competitors approach it between their companies and their governments, and so must we. That is why H.R. 1993 is so important and why the exporting community are so in favor of moving this bill forward.

Thank you.

Ms. ROS-LEHTINEN. Thank you.

Ms. ROS-LEHTINEN. Mr. Merritt, if you can quickly go through your statement before we vote.

STATEMENT OF JAMES ALCO MERRITT, PRESIDENT, MD INTERNATIONAL

Mr. MERRITT. Thank you for this opportunity to testify here today. MD International was founded in 1987, and we provide med-

ical equipment into Latin America. We export approximately \$30 million of U.S.-made medical equipment all through Latin America.

I am going to talk about a couple of the examples where I have used these agencies in recent years to help our business.

I attended recently a Department of Commerce trade mission to Central America with Ambassador David Aaron, who spoke earlier, from March 21 to the 28th of this year which successfully opened doors for new business for our company. By the way, this is the first time that we have participated in a trade mission like this.

Mission participants met with members of the reconstruction cabinets of four central American countries to discuss rebuilding after Hurricane Mitch. We also met with other top country officials, including the presidents and with country Ambassadors. As a result of our participation in this mission, we have gained a new distributor in Guatemala that was previously buying products from Germany, and we anticipate doing several hundred thousand dollars in business with this company this year.

Our company also is working on a \$4 million sale to a new medical center in Tegucigalpa, Honduras, called Los Lomas Medical Center. Again, this was primarily going to be Japanese- and German-made product, and we are converting it to American-made product. We met the owners of this center at the Ambassador's house when we were on this trade mission.

MD International has been actively involved with the U.S. Export Assistance Center in Miami. Among other benefits, we receive a weekly newsletter advising of export opportunities and current events in the Latin American region. This organization also organizes and participates actively in trade shows relating to commerce in Latin America. They have also assisted us with our application for the President's E Award which we submitted last August. They also have been a liaison to us with the Export-Import Bank Programs. All of this through the local office in Miami.

A major problem faced by medical equipment exporters are trade barriers in Brazil today where government-mandated product registration has cost our company over \$4 million in the lost sales in the last 18 months due to these ridiculous and unrealistic registration requirements. It can cost up to \$18,000 per product, per medical instrument, and we have thousands of medical instruments to register to be able to sell these in Brazil; and the Brazilian Government changes these rules with little or no warning. There needs to be government funding to help get rid of these barriers which are being backed by the Brazilian manufacturers of medical devices to keep our goods out of Brazil.

The ITA, which has been helping us to fight back, is two people who work on the Brazilian desk, and Brazil, prior to this, was our largest export market in Latin America, even larger than Mexico which traditionally was our largest market.

We are getting hammered right now in Brazil. Our sales have dropped off the charts, and we are not getting the necessary support; and I fully agree with the comments of Patrick Malloy previously. We are a small company and we don't have lobbyists up here in Washington or people to fight for us. We just have to depend on the Department of Commerce to fight these battles and enforce our trade agreements.

NAFTA is a good example of a trade agreement that has had a very positive impact on our business. It has increased access to the Mexican market, and our business has grown as a result. Our products are much more competitive in Mexico because of NAFTA.

As far as the Trade Development Agency, we have begun to pursue opportunities in Africa. MD receives information from TDA concerning new business opportunities in Africa. The TDA Web site is full of useful articles, forms and up-to-date information that helps companies like ours develop trade relationships with other countries.

We also recently attended a TDA seminar in St. Petersburg, Florida, which we found very stimulating and informative.

The bottom line is, what do we need as a small business based in Miami, Florida, from our government. We need your help to help us finance products through the Export-Import Bank and through OPIC, similar help to what our competitors have from Japan, Germany, Spain and Italy; and I fully agree with the comments earlier, we are getting outfunded many times to what we get from our government.

We need help with finance and enforcing our trade agreements so we have access to the markets, and we need help with trade leads, and these organizations are giving that.

Ms. ROS-LEHTINEN. Thank you so much.

Our Subcommittee will be back. We will go to a vote, and Mr. Manzullo will chair the remainder of the meeting. Thank you.

[Recess.]

Mr. MANZULLO. The Subcommittee will come back to order.

Our next witness is Mr. Michael Katz, who is a constituent of the Ranking Minority Member of our panel, Mr. Menendez; and Mr. Menendez, I will let you introduce your constituent.

Mr. MENENDEZ. Thank you, Mr. Chairman.

Mr. Katz is a constituent, so far as he is a New Jerseyman, and we appreciate him making the trip. He is the president and co-founder of Cenogenics Corporation, which was honored as the New Jersey Exporter of the Year award and the SBA National Exporter of the Year award in 1990, and I believe he has a little bit of the new technology, or not so new anymore, but still a visual to help us in the process; and we thank him for coming here.

STATEMENT OF MICHAEL KATZ, PRESIDENT, CENOGENICS CORPORATION

Mr. KATZ. Good afternoon, and thank you for inviting me to speak here today. My excitement for the profits export business has brought our company has driven my international efforts for many years. Our company, Cenogenics Corporation, manufactures medical diagnostic products that are used in 70 countries.

Let me get on the right section with my slide projector here.

Mr. KATZ. From our inception 18 years ago, our company has enjoyed continuous profits and growth as a result of our export activities. Our ability to gain significant markets worldwide, using the excellent Department of Commerce Programs available, led to our winning the SBA National Exporter of the Year award in 1990.

I have discovered in studying companies that have risen to global leadership that they, like us, invariably began with ambitions that

were out of all proportion to their resources and capabilities. To gain world markets, we needed to create an obsession with winning at all levels of our organization, and then sustain that obsession for years in pursuing our quest for export sales. Professors Gary Hamel and Prahalad term this obsession "strategic intent." Fortunately for us and all U.S. companies, Commerce's continuously available strategic programs give us our best chance to reach our potential in now overwhelmingly competitive markets.

Our Department of Commerce has alerted U.S. companies that we have been outsold by other principal manufacturing nations for years. Indeed, we, as a company competing worldwide, have seen a surge by almost all countries to build manufacturing capabilities. I have termed this strong, nationally motivated surge for manufacturing "manufacturing determinism." It is a movement as strong in motivation as unification was for Europe following the Middle Ages.

Dramatically, since 1970, and extremely rapidly since 1990, non-U.S. manufactured goods and services originating from all countries are burgeoning into world markets. Approximately a \$5.15 trillion in goods and services are being made collectively by countries outside our borders and are being sold to countries outside our borders. Less than 1 billion of all the goods and services being used in the world are being supplied by U.S. companies. Add inter-region trade pacts, tariff-free or reduced-tariff trade links, as Mexico, as an example, is capably forming. Add foreign trade barriers, and we quickly realize foreign competition is brutal.

Fortunately, and only with a phenomenal effort, considering the personnel resources at their disposal, the DOC and ITA are holding the windows of opportunities open for us. We have found within the U.S. Commerce Department a most sincerely dedicated and knowledgeable group of people committed to bringing all of us export profit opportunities.

Our New Jersey Export Assistance Center trade specialists network with a capable group of DOC/ITA colleagues SBA specialists and banking professionals to maximize our trade initiative. A sampling of U.S. DOC services we have used successfully to bring in \$8 million in export sales include matchmaker trade delegations to 12 countries, gold key programs to three countries, and all of the other trade-producing services shown on the slide.

Matchmaker Programs were effective for us. Highly qualified trade specialists gave knowledgeable and unstinting attention to making our efforts successful. The ITA staff canvassed and screened exhaustively to find competent prospects for us. Matchmakers enabled us to learn important market information less expensively and quicker than any other approach we have ever used.

Export Assistance Center specialists guide us to significant trade show opportunities. Participation at the U.S. pavilion in Medica in Dusseldorf, Germany, an exhibition attended by over 100,000 people, allowed us to sign 21 new distributors our first year. Booth details, shipment deliveries, translation services, hospitality suite accommodations were flawlessly handled. Many additional DOC Programs directly helped us.

With the assistance of Greater Philadelphia First, a private non-profit business leadership organization and a grant from the U.S.

Department of Commerce, a total of 12 companies were assisted through the health tech program to enter the Argentina and Brazilian markets.

Another opportunity, an invitation from the Trenton Export Assistance Center to a certified foreign buying event, comprised of 30 businesses from Saudi Arabia, led to a joint venture and a \$440,000 sale the first year.

Additionally, important help from the US-FSC in South Korea allowed us to meet with the director of the South Korean FDA to request a change in a registration requirement that required proprietary manufacturing information from all registrants. It was definitely holding back our entry in the country, and the foreign service commercial officers had told us they have had over 200 complaints. The request was granted. We came in with a very powerful Korean company partner. The regulation was amended to the benefit of all U.S. exporters.

The programs work. The DOC/ITA EAC expertise exists to make a difference. International trade is crucial to our future. Against the intense competitive trade pressures that now exist, we need to hold the window of export opportunity open as long as it may take for American business to be led through your excellent programs to a global business capability.

I appreciate and thank you for your kind attention.

Mr. MANZULLO. We haven't had a slide show here in a long time, and now they have these electronic pointers—my kids know how to make them up on the computer. I was late coming to this hearing, but I want to tell you what happened.

They were having a Flag Day celebration down in the Cannon caucus room, and my colleague from Illinois, David Phelps, was going to sing a song. I sat there to listen to him and a lady came up to me in a state of panic, and she was looking for another Member of Congress who was supposed to participate in this program and read something. So she saw my pin and she said, here, would you read this and she gave me a script.

I didn't know what it said and I read this thing cold from the teleprompter, and it said something to the effect life is a rectangle, and it explained it, but it only talked about two sides. I sat down and I thought maybe the next speaker would talk about the other sides, but that was it.

I just went there to see my colleague sing and ended up giving this great talk about exploiting the ecosystem. I have no idea what it was about, but I do know that it was a two-sided rectangle. But if you can catch it on C-SPAN it was—aside from my magnificent mathematical speech, it was the fourth Congressional Flag Day celebration, and it was absolutely spectacular. Now we know how we get recruited. Next time I won't wear my pin and just be very quiet.

I appreciate your patience and dealing with the tyranny of the bells, and I would like to open up my portion of the questioning here.

Mr. Katz, I appreciate what you did here. I am intrigued that you went to the U.S. pavilion at—I can't read it—

Mr. KATZ. Medica. That is in Dusseldorf, Germany. It is actually the largest medical trade show that exists in the world. I am not even sure how many exhibitors there are.

Mr. MANZULLO. How did you find out about that?

Mr. KATZ. Only through the Commerce Department. We were a small company 18 years ago, sir, and received a flyer from the Commerce Department about a workshop on various topics: how to actually use a freight forwarder; what is a letter of credit. Extremely basic. I had a motivation that international trade would be one building block for our company because our concentration was products that are used in every laboratory. We had seen ups and downs in our own U.S. recession types of economies, and I thought I could branch out and maybe even that flow a little bit.

From that beginning I got this—this answers your question—continuous documents, agendas, programs, and I was captured by the system. It truly works. In being caught, the local—and this is why they are so important, the regional offices, came out and saw me and they told me about the Commerce Department Programs. I never would have known about them. They introduced me to the idea of Matchmakers and the fact that a Matchmaker Program was going to go to Germany and one other country, and that this would be a good opportunity for us to see an international trade show as part of this Matchmaker Program which was housed right within one of the Medica buildings, 13 buildings of medical and diagnostic kinds of supplies, most of them the size of football fields.

What we saw there being taken abroad was how strong the purchase activity was worldwide, how knowledgeable people were in business, how amateur we were in our approach to sourcing events.

Mr. MANZULLO. How many employees did you have at the time?

Mr. KATZ. At the time—less than 8 at the time we went to the show.

Mr. MANZULLO. That was 18 years ago?

Mr. KATZ. Approximately, yes.

Mr. MANZULLO. Did you have to pay your way to go there?

Mr. KATZ. Fortunately, there was another Commerce Department Program that helped subsidize 50 percent, which was very modest; it was only \$1,200. So we met the remainder with \$600. It was certainly a very small investment, but what we saw was over 100,000 people at that time from 67 countries. I said, this would be a wonderful vehicle. After all, it was what the Commerce Department was teaching us, and we became an exhibitor 8 consecutive years in a row. But the very first year we exhibited, we actually signed 21 distributors from other countries, and we have every one of them today. It became a basis for our business growth.

Mr. MANZULLO. You picked up more obviously after that?

Mr. KATZ. Yes. We are in 70 countries now.

Mr. MANZULLO. How many employees do you have now?

Mr. KATZ. We have 32 here and 60 worldwide. 32 are used in manufacturing here because we prefer to keep the heart of our manufacturing here. We might do packaging in some of these other countries, or sell, hire the nationals to sell.

Mr. MANZULLO. That is a great story.

Mr. KATZ. Thank you.

Mr. MANZULLO. Mr. Merritt, your Congresswoman had to leave, and she extends her apologies. Fortunately she was able to hear your testimony, but your testimony was hurried trying to beat the bells. Tell us how you got into exporting.

Mr. MERRITT. The company was started in 1987. I had worked for a manufacturer and traveled around Latin America for 3 years and saw an opportunity to establish a company to export products into Latin America. So I started the company in 1987 with 3 people. We sold a little more than a million dollars the first year, and this past year we have 85 employees from 17 nationalities and we have sold about \$37 million total of medical devices, about \$30 million of which were American made; and we estimate that we generate about 600 jobs upstream at the manufacturers that we represent. They are all across the country. We have manufacturers from California, Chicago, Minnesota, from New York, Connecticut, Florida, Atlanta, all around the country.

Mr. MANZULLO. Are you two competitors?

Mr. KATZ. No. But even if we were, it would be fine.

Mr. MANZULLO. I noticed in your bio, Mr. Merritt, that you used to sell vacuum cleaners.

Mr. MERRITT. I pride myself on selling those vacuum cleaners. Electrolux.

Mr. MANZULLO. I was going to say, Mr. Oreck probably started the same way as you.

Tell us how you first got the interest in exporting.

Mr. MERRITT. I had been to the University of Cincinnati, and I went abroad to Spain and spent a whole year in Europe and enjoyed it. I learned to speak Spanish, so after I graduated, I had this opportunity to start traveling to Latin America and I just really enjoyed it.

Mr. MANZULLO. You mentioned you have been having a lot of bumps in Brazil and the rial has rebounded about 70 percent from its lowest about a year ago.

Would you tell us the resources that our government provided to help you through that quagmire down there? I saw here where it said "snag in Brazilian red tape." Tell us what happened there.

Mr. MERRITT. About 1½ years ago the American—primarily American companies were really hurting the Brazilian medical industry. They were a closed market for a long time, and they started opening up imports within the past 10 years; and I think that we were severely damaging the Brazilian industry, and so they got on their government to enforce legislation for registration of products, similar to what we have here with the FDA, only non—very non-transparent.

This started—this problem was before the rial devaluation. This started about the beginning of 1998, late 1997. Effectively, they stopped our imports or our ability to sell there because if you don't have the registration, you cannot sell there, and you cannot get the registration without putting your products through two laboratories that are allowed to certify your products. They had a backlog of over 20,000 products, and obviously cannot handle it. They ignore the international accepted standards like the ISO, the 510(k) procedure here in the United States, UL, those types of standards that are set up internationally.

I put \$4 million, I don't know how much it has hurt us exactly, but for sure it is that much; those are sales that I have definitely lost. I have spoken with big companies—GE, Hewlett Packard, J&J, some of the big players that—we represent more the middle-size companies, not the big players with their own offices down there, and they have been very much hurt also.

It is extremely expensive; they are charging now about \$10,000 per product to go through this process that takes up to a year. It took us over a 1½ years to register one of our key products, and it has to be renewed every 5 years. It is a major problem.

Patrick Malloy's office here is aware of it. The Health Care Industry Manufacturers Association is aware of it and has tried to intervene, but so far we are still fighting this and all of our business has dropped off in Brazil. This was before the rial. The rial devaluation just exacerbated our drop in business there. We are doing less than 20 percent of what we were doing there previously.

Mr. MANZULLO. The barriers are still continuing?

Mr. MERRITT. Yes, they are. I talked to their office, they have two people, one guy in Brazil who is doing all kinds of other stuff. He has gone to some meetings and tried to intervene, but I think it needs to be brought to a higher level. They need to get attorneys involved and look at what is the WTO agreement and fight for us. I am sure once our agreements are looked at, it is going to be clear that this is a barrier that is not a fair barrier and can be negotiated, but we don't seem to have the manpower to get that done.

Mr. MANZULLO. Mr. Menendez.

Mr. MENENDEZ. I appreciate the testimony of all of the witnesses. Mr. Katz, coming from New Jersey, I thought it was a great story. I particularly appreciate because while your individual success stories are important to us, they exemplify why it is that we—some of us, at least—are advocates of ITA and OPIC and some of the other agencies that we think make a difference.

Let me finally ask you, Mr. Rice, on behalf of your coalition and others, if you didn't have these programs, would you have the wherewithal on your own, within your own budgets, to do what you have been able to accomplish with them?

Mr. MERRITT. We definitely would not. We are definitely a small business. We still are not getting what we need to get done with these trade barriers in Brazil, and it is coming up in Argentina as well. Another major area which is not the subject of this hearing is Eximbank and our need for expansion of Eximbank's Programs for financing our medical devices.

We are competing directly with the Germans, the French, the Japanese, the Italians and the Spaniards, who have extremely aggressive financing programs. They back their companies in a way that we don't here, and they have the manpower to support that. So we are getting beat a lot because of lack of financing, plus this trade barrier issue.

Fortunately, we have incredibly good products and so we are able to continue to sell because our industry is so strong. But we should be selling a lot more.

Mr. MENENDEZ. Mr. Katz?

Mr. KATZ. There would be no possibility for a small midsize company to enter the international markets today without the help,

strong help of our Commerce Department and all the associated offices. The flood of products from manufacturing countries all over the world is so overwhelming.

The reduction in the price margin is lower now than we have seen in 18 years. The competitive pressures, as we have heard on all of the so-called "nontariff barriers," are immensely strong.

The difficulties that we have had in moving targets in regard to the characteristics that the products are supposed to have standards, there is a big moving target which has not been addressed properly by our government. What has really happened worldwide is, we have been having some of the best standards in all of our industry areas not being accepted in most areas of the world. The FDA and the leadership there has acknowledged that problem and made it part of their agenda, but it exists as a problem that only our government can really tackle. We need and rely on that advocacy.

Then there is the major problem, the Commerce Department is very proud that they have doubled the number of small- and midsized companies that are approaching the export markets in the last several years, but it is a very small proportion of what really could be our capable resource. There is no way but to hammer at our American business for—to show these opportunities exist so that we need, from the highest level of our government to the Committee levels that exist for all of these purposes, to wave the flag that American business has to move.

They have to move into these markets. To diminish the programs even one bit, to diminish the field service people that you have now and satellite centers all over the United States is the wrong movement. We would not have been found. We would not have been introduced to these programs.

Once you are with the Electronic Age that exists now and the ability to access so much information on the Internet, to know that it is there and what could be available, and to have one of those individuals, one of those field officers who says, we have this program and we can pick up the phone and help you, and you can access that information.

To have that resource has made the difference for us to get in there.

Mr. MENENDEZ. We are going to send your testimony to the Citizens Against Government Waste so they can view it and maybe respond to it. They don't support the program.

Mr. Rice, your coalition basically is the answer to Mr. Katz and Mr. Merritt a reality for most members of your coalition, and is it fair to say that most of your competition abroad has the same type of support, if not greater, greater support by the governmental entities like ITA, TDA, OPIC and others that match your competition; or maybe even exceed what we are doing for members of your coalition?

Mr. RICE. Yes, sir, that is absolutely on target. Even the largest companies, the ones with a number of resources at their disposal, are no match for the combination of foreign companies and foreign governments when they get together. The bigger the deal in the export market, the even tougher the competition. That is the only

thing I could add to the eloquent answers which have just been given.

Mr. MENENDEZ. Thank you, Mr. Chairman. I have no further questions.

Mr. MANZULLO. Mr. Katz, you intrigue me. I have a friend at home who, when he gets up in the morning, he sees the sun and he gets excited, and so he is excited all of the time. You have a minuscule amount of enthusiasm for these programs. Are you this way all of the time?

Mr. KATZ. I am very grateful that the programs have existed and we have done well with them. Yes, I am excited. I have worked hard to make them work.

Mr. MENENDEZ. We New Jerseyans are enthusiastic people.

Mr. MANZULLO. We live in a world that is so sober. The days of people getting excited about technology—now, I would think that you would have sold vacuum cleaners going through college.

Were you involved in sales before you got involved in your profession?

Mr. KATZ. No, basically I was a scientist who concentrated on developing diagnostic devices. But when something works, and I look at everything with a scientific mind, just as I do the accounting balance sheets. Why do an experiment, if you know the answer, is always my philosophy; and if there is the tool that allows you to succeed, use it.

The opportunity that the Commerce Department has given us to succeed as a company showed us that there are profits in the international market. I made a comment here within my text that we had to have an obsession to sustain ourselves in these international markets, to overcome those problems in order to enjoy the income that could come from it. But in solving those problems, that income came and the resource they gave us, the solutions, helped us with the solutions, brought them to these people and they had the interconnections to help us with these solutions.

It even went down to, in New Jersey, a district export council, the people that they knew in business, people that they knew in banking to help us, the information that was available from that collegial network of people made the difference; and that is what we needed. So it worked as it existed.

Mr. MANZULLO. I want to thank all three of you for coming. Bob and I get involved in a lot of things. There are over 10,000 Federal programs, 10,000 Federal programs. Every day people come in our offices and they are talking about this program and that program. I knew about the FBI and the CIA before I came here, but it is always good when you see a program that is self-executing.

We have noticed that about the people who come before our Subcommittee that—normally, it is the agency trying to sell you, keeping funding; but what we have noticed about TDA and OPIC, the agency heads will give us a general overview and then present the people with the real, live stories.

Mr. MERRITT. I would like to mention one other thing along that line. I am a member of the Small Business Exporters Association. We had our annual meeting a couple of weeks ago in Washington. We are a small company, but our association—the views that I expressed of positive support for these programs would be shared by

our several hundred members across the United States of small business exporters.

Mr. MANZULLO. We appreciate that. All of the statements that have not been submitted as part of the record will be allowed to be put into the record with no objection, and this Subcommittee is adjourned.

[Whereupon, at 4 p.m., the Subcommittee was adjourned.]